

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-14 ISO-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 IO-14 NSAE-00 RSC-01

OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06 SIL-01 SWF-02

OMB-01 SS-20 NSC-07 L-03 XMB-07 STR-08 AGR-20 DRC-01

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P 142217Z JUN 74

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 3016

AMEMBASSY NEW DELHI

INFO AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AZEN/AMEMBASSY TH E HAGUE

AMEMBASSY OSLO

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY OTTAWA

AMEMBASSY VIENNA

AMEMBASSY COPENHAGN

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MEMBERS NEED MOVE ALONG AT SAME SPEED (REFERRING TO TERMS OF AID RPT AID) "IN FASHION OF SHIP CONVOY," AND SAID WE WISHED BE ASSOCIATED WITH THAT POSITION.

U.S. DEL CONTINUED THAT BANK PROPOSAL ON DEBT GAVE USG DIFFICULTY. U.S. DISAPPOINTED BANK PROPOSED GIVING UP "INDEX OF HARDNESS." THUS, U.S. RESPONSIBLE FOR 60 PERCENT OF INCREMENTAL AMOUNT OF THIS YEAR'S PROPOSED LEVEL OVER LAST YEAR'S. U.S. DISAPPOINTED PROPOSED RESCHEDULING DID NOT INCLUDE MFN CLAUSE WITH RESPECT TO

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NON-CONSORTIUM DEBT. INDIA CLEARLY NEEDED INCREASED

AID TO COVER ITS INCREASED IMPORT BILL, BUT SOME TWO DIZEN OTHER LDC'S FACED SIMILAR PROBLEM. WILL THERE, U.S. ASKED, BE SUFFICIENT AID FUNDS AVAILABLE TO COVER URGENT AID NEEDS OF SUCH NATIONS IF WE FOLLOWED BANK'S PROPOSAL? ADDED U.S. WISHED ENCOURAGE INDIA ALSO TO SEEK SUPPORT FROM MAJOR OIL EXPORTING NATIONS; ALSO INVITED IMF REPRESENTATIVE (AT MEETING) TO COMMENT ON CONDITIONS OF HAVING INDIA MAKE FURTHER DRAWING ON FUND.

CONCLUDING, U.S. DEL SAID U.S. UNCERTAIN AS TO JUSTIFICATION FOR BANK'S PROPOSED COURSE OF ACTION GIVEN UNKNOWNS AND NEEDS OF OTHERS, AND SO DETERMINED TO BE CONSERVATIVE. AT THIS TIME, THEREFORE, U.S. PREPARED COMMIT SAME AMOUNT DEBT RESCHEDULING AS LAST YEAR, NAMELY \$29 MILLION, BUT WITH INTENTION REVIEW INDIAN FINANCIAL SITUATION LATER TO DETERMINE WHETHER TO DO MORE.

4. REACTION TO U.S. STATEMENT:

RESPONDING, IBRD CHAIRMAN ASKED IF U.S. SEEKS TO RESCHEDULE ONLY \$29 MILLION PLUS A PROVISO ON EWITABLE TERMS OF OTHER NATIONS' PORTION? HE ASKED WOULD THIS HAVE EFFECT OF FORCING OTHERS TO REDUCE PLEDGES ON RESCHEDULING? U.S. DEL RESPONDED BY EMPHASIZING U.S. WISHED AVOID DISRUPTING GROUP ACTION WHICH WOULD BE BENEFICIAL TO INDIA. THE CHAIRMAN RESPONDED THAT HE UNDERSTOOD THIS AND WAS RELIEVED.

THE FRENCH DELEGATE SAID HE WAS EXTREMELY DIS-APPOINTED BY U.S. STATEOENT. WHILE FRANCE BELIEVED THAT PROPOSED DIRECT AID LEVEL TO BE TOO LOW AND WHILE IT ALSO WAS NOT ANXIOUS TO PROMOTE DEBT RELIEF, IT HAD PLANNED TO ACCEDE IN PRINCIPLE TO BANK'S 45 PERCENT DEBT RELIEF RECOMMENDATION IN FRAMEWORK OF CONSORTIUM CONSENSUS. BUT, HE NOTED, A QUICK CALCULATION SHOWED U.S9 DEBT RESCHEDULING LEVEL WOULD BE ONLY 20 PERCENT OF THIS YEAR'S INDEBTEDNESS. HE SAID HE WAS STRUCK BY DIFFERENCE BETWEEN ATTITUDE ON PAKISTAN RESCHEDULING, WHERE A POSSIBLE SHORTFALL OF A FEW MILLION DOLLARS WAS DISCUSSED ONLY TWO DAYS EARLIER AS INTOLERABLE, AND THE INDIAN CASE WHERE THE GAP BETWEEN THE COUNTRY'S NEEDS AND THE PROPOSED AID LEVEL IS A VIRTUAL "CHASM." THE LIMITED OFFICIAL USE

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FRENCH DEL CONCLUDED HIS GOVERNMENT HAS FRIENDLY RELATIONS WITH BOTH PAKISTAN AND INDIA. GERMAN AND U.K. DELEGATES, WHILE NOTING THEIR APPRECIATION OF U.S. DIFFICULTIES, WERE DISCOURAGED AT U.S. POSITION AND URGED U.S. RECONSIDER.

5. OTHER CREDITOR POSITION ON BANK PROPOSAL: OF 13 CREDITORS, ALL BUT CANADA, FRANCE, ITALY AND U.S. EX-

PRESSED WILLINGNESS AGREE 45 PERCENT RESCHEDULING. CANADIAN DEFERRAL OF POSITION, KNOWN IN ADVANCE, HAD NO ADVERSE IMPACT, AS GROUP INFERRED CANADA WOULD AGREE SOMEWHAT LATER. FRANCE SUPPORTED 40 PERCENT RESCHEDULING BUT STATED IT WOULD HAVE NO DIFFICULTY ACCEPTING 45 PERCENT CONSENSUS. ITALIAN DELEGATE NOT IN A POSITION QUANTIFY AMOUNT OR TEROS OF RELIEF BUT PROMISED BEST EFFORT REACH TARGET. AFTER U.S. POSITION ANNOUNCED, JAPAN NOTED IT COULD AGREE 45 PERCENT RESCHEDULING IF ALL MAJOR DONORS "PRECISELY GO ALONG." WHEN QUESTIONED, JAPAN DELEGATE STATED THAT UNDER HIS CURRENT INSTRUCTIONS, U.S. SHARE AT \$29 MILLION WOULD PRECLUDE JAPANESE PARTICIPATION.

6. INDEX OF HARDNESS: U.K., NETHERLANDS, AND SWEDEN EQUIVOCALLY, SUPPORTED "INDEX OF HARDNESS" IN ATTRIBUTING SHARES, WITH U.K. LINKING SUCH INDEX WITH U.K. ACCEPTANCE 45 PERCENT RELIEF. CANADA ALSO NOTED INDEX WOULD BE A CONDITION OF ANY FUTURE CANADIAN PARTICIPATION. U.K., CANADA, SWEDEN, AND NETHERLANDS INDICATED THEY WOULD DROP DEMANDS FOR HARDNESS INDEX, IF ALL DONORS WOULD AGREE ACCEPT BANKRECOMMENDATION THAT NEW AID CONTAIN MINIMUM 62 PERCENT GRANT ELEMENT. FRANCE RESISTED URGINGS OF SEVERAL DONORS TO AGREE THIS 62 PERCENT TARGET.

7. MOST FAVORED NATION CLAUSE: THERE WAS NO CREDITOR

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